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SUBJECT: SCENESETTER FOR DAS QUANRUD

¶1. (U) Embassy Vilnius warmly welcomes you to Lithuania. Your upcoming visit is an excellent opportunity to reinforce our close bilateral relations with this small but committed ally in a sensitive and strategic region. The Embassy has organized a schedule that will address key areas of joint interest, including our partnership with Lithuania to help address global challenges like Afghanistan; reassurances of our commitment to defend Lithuania under NATO Article 5; discussions about boosting U.S. trade and investment in Lithuania, including U.S. investment in the planned nuclear power plant; and human rights issues. At the Snow meeting, you will join other top policymakers and strategists from Europe and North America for an informal brainstorming on key transatlantic issues, including relations with Russia, further NATO and EU enlargement, and the Eastern Partnership.

#### A Close Ally - With Real Concerns

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¶2. (SBU) Lithuania's alliance with the U.S. is rooted in our longstanding support for its independence during the Soviet occupation, our shared democratic values, and the personal ties of Lithuanian immigrants to the U.S. Lithuania particularly values U.S. partnership, because the Transatlantic relationship, along with EU and NATO membership, are considered key to Lithuania's continued independence and protection from the possibility of Russian aggression or undue interference in the economic, political and social -- as well as security -- spheres. Fear of Russian intentions have increased since the 2008 invasion of Georgia as has frostier rhetoric from Moscow. The perceived Russian threat motivates Lithuania's concerns about ensuring air policing beyond 2014 and ensuring adequate plans are in place to defend Lithuania.

¶3. (SBU) Your visit tangibly underscores U.S. commitment to our close ties with Lithuania. As a small country seeking to build democracy and maintain its independence on the outer eastern edge of both NATO and the European Union, and with only two decades since its liberation from the Soviet Union, Lithuania's civic and political institutions remain works in progress. Lithuania has been an EU and NATO member only since 2004 and is still in the midst of a profound social and cultural transition. It has not fully completed the transformation from a half-century of Soviet occupation to mature Western-style democracy. Weak governmental and judicial institutions, a media manipulated by business interests, ambivalence about foreign investment, and corruption remain challenges. One of the countries hardest hit by the global economic crisis after several years of post-independence economic boom, Lithuania is suffering a crisis of confidence, with some questioning Lithuania's western and free market orientation. Lithuania's membership in the EU demands considerable time from all branches of government and leads to a Brussels-focused perspective. While Lithuania's integration into the Euro-Atlantic community is a U.S. foreign policy success, as Europeanization proceeds and memories of our Cold War support fade, we need to intensify our efforts to maintain strong bilateral ties and vibrant relations, especially with the

newest generation of leaders.

#### Concern about Russian Influence

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14. (SBU) Lithuania-Russian relations are complicated, and historically have been characterized by occupation and intimidations. In 1990, Lithuania became the first republic to proclaim independence from the Soviet Union. Today Lithuania's relations with Russia remain difficult. Even average Lithuanians were deeply concerned about Russian aggression in Georgia in 2008, but there are clearly mixed feelings about whether the best path is to engage Russia or try to isolate it. The Prime Minister, President, and FM Usackas have followed a policy more in tune with our "reset" with Russia, seeking cooperation in areas of mutual interest and practical solutions to bilateral concerns where possible. President Dalia Grybauskaite has noticeably dialed back the anti-Russia rhetoric that was a staple of her predecessor, Valdas Adamkus.

15. (SBU) Lithuanian officials have become increasingly concerned about what they see as growing Russian influence on Lithuanian politics and media. With strong support from Moscow, Lithuania's first openly "pro-Russia" political party was established by a former Lithuanian prime minister in early December. Businessmen with Russian ties have bought ownership stakes in several major Lithuanian media outlets in the past few years. In addition, Russian TV channels are widely available and watched by Lithuanians, most of whom speak and understand the Russian language well. The Seimas (Parliament) National Security Committee Chair Arvydas Anusauskas, with whom you will meet on January 14th, has strong and well-informed views on Russian influence on the local media.

#### Afghanistan

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16. (SBU) Lithuania is a committed partner in Afghanistan and our strong support and appreciation of its mission, especially under intense economic pressure from the global crisis, is a key component of our bilateral relationship. Lithuania is the smallest NATO member to run a PRT, in the central Afghanistan province of Ghor. It has been working in Ghor for five years, and recently renewed its commitment to work in Afghanistan through 2013. It is notable that despite a 19% defense budget cut, the GOL has announced that Afghanistan remains its top national priority and that it will maintain and even increase where it can its efforts in Afghanistan. Our continued support for Lithuania's effort in Ghor will advance our goals in Afghanistan, and reassure a small but committed ally of our appreciation for their support and the strength of our bilateral partnership. You will have an opportunity to learn more about Lithuania's mission in Afghanistan on January 13th when Ambassador Derse hosts a dinner for the President's Chief Foreign Policy Advisor Darius Semaska, Advisor to the Minister of Defense Andrius Krivas, Seimas (Parliament) Foreign Affairs Committee Chair Audronius Azubalis and the MFA's Director of Transatlantic Cooperation and Security Policy Department Gediminas Varvuolis.

#### Economic Crisis

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17. (SBU) After many years of strong growth, Lithuania has been hard hit by the economic crisis, with an expected GDP contraction of 15% in 2009. A severe revenue crunch has forced the government to impose large budget cuts, but a record budget deficit of 5 billion litas still is expected in 2010. The GOL in December passed a budget that included significant cuts in wages, public employment and social benefits. Some protests already have occurred, and as the budget cuts begin to bite they could induce more significant public opposition and weaken an already unpopular government.

#### Trade and investment

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¶18. (SBU) The United States does not rank in Lithuania's top 10 as either an investor or trading partner. The Lithuanian Government is very interested in encouraging two way trade and investment with the U.S., and considers increased economic ties a strategic priority. PM Kubilius' February visit to the U.S. will focus exclusively on these issues. With foreign direct investment of more than 400 million USD as of the third quarter of 2009, the United States is now only the eleventh largest foreign investor, although American companies Philip Morris, Kraft and Mars are among the six largest foreign companies here. The largest trading partners are Russia, Germany, Poland, Latvia and other nearby and European countries. The United States, with about 500 million USD in total trade turnover from January to October 2009, ranks fourteenth. Lithuania's largest import, by far, is crude oil. The Lithuanian Development Agency (LDA) is the GOL's principal agency dedicated to attracting foreign investment and promoting Lithuanian exports. LDA has offices in Germany and Belgium, but none in the United States.

¶19. (SBU) Businessmen and investors have identified for us several impediments to investing in Lithuania. These include tax increases and tight credit as a result of the financial crisis; complex tax payment procedures and lack of a cap on social-security taxes; convoluted regulations concerning land purchase, ownership and use permits; concerns about corruption; lack of a customer-service mentality; inflexible labor rules and lack of large labor pools outside urban areas; Lithuania's self-isolating mindset in which it sees itself as a small market and not part of the huge EU market; and the lack of a clear, pro-foreign-investment approach at high levels of the GOL.

¶10. (SBU) As it agreed in its accession treaty with the EU, Lithuania shut down its Ignalina Nuclear Power Plant on December 31. It plans to build a new nuclear power plant, expected (optimistically) to begin operations in about 2020. Two American companies, Westinghouse and GE, have expressed interest in that project, as have companies from France, Canada, South Korea and Japan. The technology tender is likely to be issued later this year, after Lithuania has selected a strategic investor for the project. You could inquire about Lithuania's plans for building energy infrastructure, and about interest in U.S. participation, when you meet with the Vice Minister of Energy Romas Svedas.  
Human rights  
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¶11. (SBU) Lithuania has a good record on human rights in general, but problems persist. Lithuania is a homogeneous and socially conservative country influenced by the Catholic Church (although far less than Poland). In 2009, the Seimas (parliament) passed a law that made it illegal to expose minors to information that "promotes homosexual, bisexual and polygamous relations." After months of criticism by human-rights organizations and the European Union, the Seimas adopted amendments suggested by President Grybauskaitė that removed all references to sexual orientation. However, much of Lithuanian society and its political leadership remain intolerant of sexual minorities and only grudgingly, at best, accord them the human rights that Lithuanian has pledged to honor for all people.

Jewish property restitution  
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¶12. (SBU) The large Jewish community was almost wiped out during World War II, and only several thousand Jews live in Lithuania today. Anti-Semitism is common although, fortunately, incidents of violence have been rare in recent years. But the Jewish community has been fighting for more than a decade to win restitution of communal property stolen from it during the Nazi and Soviet occupations. A bill to provide partial compensation for some of that property is before the Seimas, but has been rejected by the local and international Jewish communities as inadequate. Working with

the Jewish community to craft and pass an acceptable restitution bill could help the GOL rehabilitate Lithuania's international reputation, which has been damaged by years of intransigence and hostility on this and other Jewish issues.

Snow summit

13. (SBU) The Snow meeting in Trakai, a picturesque and historic site 40 minutes' drive from Vilnius, will bring together government officials and others to discuss major transatlantic issues, including relations with Russia, further NATO and EU enlargement, and the Eastern Partnership.

It is now in its third year. Although there is a program, organizers say their goals is to avoid imposing a rigid agenda and to keep discussions open, frank and informal.

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